

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

All Business Cycles

A. Key Decisions

Priority 1-High	Policy	Advisory Group
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130 How can Roadmap results be most effectively measured and monitored?

Description: Performance measures need to be identified and performance data needs to be collected for each Roadmap project. From IPMA notes: There need to be metrics for effectiveness, efficiency, and costs of the existing processes and systems. Need to be establish baselines and measure how much these change under the new approach.

Examples(s):

Priority 1-High	Policy	SWS Assessment Project
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55 How aggressive should the state be in adopting and enforcing the use of best practices?

Description: One conclusion from the mini-assessment in 2000 was that State policy identifies best practices, but does not mandate, provide incentive for or measurement of, or hold agencies accountable for incorporating enterprise-wide best practices into their business operations. This is primarily a resource issue since effective adoption of best practices enterprise-wide would require additional central service agency resources to help agencies work through their agency-unique issues with the new practices.

Examples(s): Best Practice website: <http://www.dis.wa.gov/bestpractices/index.htm> Use of Hands off payment, Copy Centers, mail management, etc. Example from 2004 Baseline Assessment interviews: SAAM 85.36.10 requires that agency disbursement processes should minimize the cost of making disbursements by using the most cost effective means available....", and Hands Off electronic payment has been identified as a best practice. However this policy is not well enforced. Electronic payment between agencies is now possible when the IAP process is used, but agencies still have the option to pay by paper journal voucher or warrant. Using the IAP process saves staff effort for both the paying and the receiving agency. Also, paying statewide vendors electronically saves money for both the agency and the vendor, but agencies can easily order the payment to a duplicative agency vendor, forcing payment by warrant.

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DISCUSSION DRAFT

All Business Cycles

A. Key Decisions

Priority 1-High

Policy

Focus Groups

110 Should support for some level of inter-jurisdictional reporting be within the Roadmap scope?

Description: There is growing interest in providing visibility into the full results achieved from tax revenues, whether it be at the state or local level, to improve government transparency to citizens (e.g. the Showcase Washington project). Currently, state and local government have totally different charts of accounts with no defined linkages. Addressing this business issue would greatly the Roadmap scope and risks.

Examples(s):

Priority 2-Medium

Policy

Focus Groups

132 To what extent should the state consider Sarbanes-Oxley provisions in planning the Roadmap?

Description: The Sarbanes-Oxley Act (the Act) is one of the most significant business related events to impact the commercial market place in recent years. As issued, most provisions of the Act are only applicable to public companies and their auditors. However, special interest groups and oversight agencies have been questioning why it shouldn't be applied, at least in some respects, to the public sector. A number of oversight agencies have been debating and considering various proposals to increase public sector accountability. While most of this focus has been on nonprofit organizations, it is only a matter of time before state and local government agencies are placed under the same microscope. Briefly, the Act's principal reforms include: 1) Creation of an independent public company accounting oversight board (the PCAOB), 2) Auditor independence provisions that restrict non-audit services that accountants may provide to their public audit clients, 3) A heightened level of corporate governance and responsibility measures, 4) Expanded corporate, financial and insider disclosure requirements 5) Mandatory disclosure by analysts of potential conflicts of interest 6) A range of tough new penalties for fraud and other violations

Examples(s):

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All Business Cycles

A. Key Decisions

Priority 2-Medium

Policy

CBPO

13 To what extent should agency-unique policies be replaced by statewide policies?

Description: Having statewide policies for “back office” processes could save agencies the considerable effort and risk of establishing and maintaining agency policies. Also, diverse agency-unique processes make it difficult to use common tools to support business functions. Industry best practice is to have clear, simple, standard, and easily accessible corporate policy, which allow some tailoring for specific geographic regions and cultures within the organization. Note: Would probably need to allow exceptions for higher education or other agencies not able to use the statewide financial/administrative systems.

Examples(s): Listing of agency policies required by OFM:
<http://www.ofm.wa.gov/policy/mquickpol.htm>

B. Critical Success Factors

Priority 1-High

Organizational

Focus Groups

88 The Roadmap must implement solutions that deliver results and get the job done

Description: The Priorities of Government Team 11 budget guidance to agencies included the “Get Results, Get the Job Done” Principle: Our strategies must help agencies (results teams) get their work done – deliver their results to the citizens.

Examples(s):

Priority 1-High

Organizational

IPMA Conference

134 A process for getting agency buy-in to the proposed changes is needed

Description: There needs to be a process for agencies to buy in to proposed standards, practices and policies around the new fiscal and administrative approach and implementation.

Examples(s):

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All Business Cycles

B. Critical Success Factors

Priority 1-High

Organizational

Sponsors

136 A strong partnership between the central service agencies is critical to the success of the Roadmap

Description: DIS, GA, DOP, and OFM share legal and administrative responsibility for Washington State business and administrative processes and systems. Successful transition to enterprise policies, processes, data and systems will require a strong partnership and an effective working relationship between these sponsoring agencies.

Examples(s):

Priority 1-High

Organizational

Focus Groups

112 The Roadmap needs to manage to state and agencies' capacity for change

Description: Effective change management will be critical to the success of the Roadmap. The scope of each project must be sufficiently limited so agency and state staff can absorb the planning and implementation workload. Per IPMA conference notes: There must be a thorough and complete assessment of the capacity of the state to implement the Roadmap projects, including the capacity of the people, budget, time, existing systems, and existing responsibilities (e.g. supporting existing responsibilities while supporting the new effort at the same time). Be realistic.

Examples(s):

Priority 1-High

Organizational

CBPO

2 Financial and program managers must receive targeted training

Description: Effective, targeted financial training for both financial and program managers is needed to help ensure the state derives full business value from the Roadmap's transformation of state business policies, processes and information systems.

Examples(s): Examples from the Common Business Problem and Opportunity Statements: Improved . . . training is needed to . . . provide access to the right data at the right times to support better strategic and operational decisions; Many managers lack the training and know-how to plan for effective capture of the right data to demonstrate the effectiveness of their programs. The budget process is becoming increasingly complex, increasing the workload for agency budget staff; for some agencies, it is difficult to get the input and support they need from program managers who don't understand the budget process. Example from business modeling focus groups: A high level of professionalism is required to perform supply chain management effectively. To achieve targeted results for strategic sourcing, the state needs to recruit and/or develop procurement professionals and recognize supply chain management as a vital function.

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All Business Cycles

B. Critical Success Factors

Priority 1-High

Policy

Focus Groups

84 The Roadmap must move agencies towards enterprise solutions where appropriate

Description: The Priorities of Government Team 11 budget guidance to agencies included the "Enterprise Solution" Principle: Our strategies to improve efficiency and effectiveness must encourage enterprise solutions where that is appropriate. They must encourage information and resource sharing.

Redundant shadow systems with loose interfaces and timing differences result in inefficiencies, high error rates, dubious information, high reconciliation efforts, and excessive agency IT maintenance costs. With so many "versions of the truth", it is difficult to put together the whole picture to meet business needs. Less system diversity would provide economies of scale, lower costs, and better state and agency decision support. The extent to which enterprise solutions can successfully meet all their agency business needs remains to be seen - one size may not fit all. The project team must work closely and carefully with affected agencies to ensure unique needs and requirements are considered.

Examples(s):

Priority 2-Medium

Organizational

Focus Groups

78 Auditor involvement in internal control decisions is critical to the Roadmap's success

Description: Differences in interpretations of cost effective controls between agencies and the Auditor can result in audit findings. It is important to involve the auditor and get buy-in on decisions about the risk-appropriate, value-added controls that will be implemented as part of the Roadmap.

Examples(s):

C. Constraints

Priority 1-High

Organizational

Experience

60 Decentralized state management structure tends to impede strategic enterprise initiatives

Description: Traditionally agencies have a high degree of autonomy to develop and maintain systems unique to their own business practices, at the expense of enterprise wide strategic initiatives such as achieving economies of scale, establishing enterprise policies and standards, strategic sourcing, and cross agency reporting of Activities and Results. The traditional level of autonomy is especially high for those agencies with separately elected officials.

Examples(s):

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All Business Cycles

Critical Success Factor

Priority 1-High

Policy

Focus Groups

79 The Roadmap must move agencies towards risk-appropriate, value-added internal controls

Description: The Priorities of Government Team 11 budget guidance to agencies included the “Risk-Appropriate and Value-Added” Principle: Our strategies to increase trust in government must be appropriate to the amount of risk that they avoid, and they must add value for citizens.
With this principle, the focus should be on compensating controls rather than 100 percent accountability.

Examples(s): Currently, agencies are required to provide stringent control over all pharmaceuticals in inventory, even though some pharmaceuticals are far less subject to theft than others. Agencies should have the flexibility to manage according to a risk assessment. At most agencies, all invoices are subject to the same approval process regardless of amount. Less process around low dollar, high volume invoices is allowed by the state “Rapid Invoice Processing” policy but the process is not supported by central systems and is used by very few agencies. Also, industry best practices recommend that recurring payments be automated or eliminated with direct deposits to vendors. SAAM RIP policy: <http://www.ofm.wa.gov/policy/85.32.htm#85.32.60>

E. Requirements

Priority 1-High

Process

Focus Groups

108 The State needs to better demonstrate transparency and accountability to citizens

Description:

Examples(s):

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DISCUSSION DRAFT

All Business Cycles

E. Requirements

Priority 1-High

System/Data

CBPO

15 Improved enterprise reporting tools are needed for decision support

Description: State reporting capabilities have not kept pace with the demand for information. Financial reporting tools are predominantly application-specific and do not support cross application, cross-agency and cross-functional reporting. The need to ensure consistent, accurate use of complex accounting data has forced reliance on fixed-format reports rather than self-service data access. Available report formats are far too limited to meet the broad range of today's information needs and new report formats cannot be delivered quickly. State agencies spend millions each year maintaining data stores, interrelating data from multiple stores, and compiling and reformatting data. In addition, many agencies have invested in numerous, disparate, and often duplicative systems to provide visibility into their business operations such as data processing service centers and liquor sales. Responding to ad hoc requests for information from Legislature, LEAP and other stakeholders is very labor-intensive. Improved enterprise reporting policies, processes, tools, and training are needed to reduce these costs and provide intuitive access to the right data at the right times to support better strategic and operational decisions.

Examples(s):

Priority 1-High

System/Data

CBPO

45 Tools are needed to support transition to paperless business processes

Description: Current business processes are generally labor-intensive and paper driven. Tools are needed to automate routine administrative processes such as review and approval of financial documents, and recording transactions to subsidiary ledgers.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

All Business Cycles

E. Requirements

Priority 1-High	System/Data	CBPO
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35 Back-office systems need to support management of end-to-end business processes

Description: Sourcing, procurement, contracting, inventory, and payment processes all involve the same vendors, goods and services, documents, and data; still, most agencies handle each of these functions separately and manually. The lack of integration between purchasing, payables, inventory, and contracts systems and processes results in duplicate data entry, high error rates, time wasted tracking documents, and other inefficiencies for agencies and the state's vendors. Similarly, systems do not support management of capital assets from Order through retirement.

Examples(s):

Priority 1-High	System/Data	Focus Groups
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102 WSDOT and Higher Education need to be able to interact easily with statewide systems

Description: Because WSDOT is on TRAINS and other specialized transportation systems, extra work is required to provide data to and retrieve data from statewide financial and administrative systems. This is also true for Higher Education agencies and local governments.

Examples(s):

Priority 1-High	System/Data	Focus Groups
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105 Better support is needed for fiscal periods other than the State biennium

Description: Agencies require the flexibility to view their business operations over various fiscal periods including Federal fiscal year, short and multi-year project periods, weekly (for retail operations). Statewide accounting systems do not provide adequate support for these views.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Budget/Performance

A. Key Decisions

Priority 1-High

Policy

Advisory Group

69 Should the state use a Franchise Funding Model for budgeting agency business operations?

Description: The Tollgate 2 POG Team 11 report includes a briefing on whether a state franchise funding model similar to the federal government's franchise fund pilot might be appropriate for agency activities that provide discretionary fee-for-service, internal service or enterprise-type operations. The Office of Management and Budget (OMB) and the Chief Financial Officers Council (CFOC) developed business principles that serve as the operational guidelines for franchise activities. The activities are expected to succeed without an outside subsidy or appropriation, and finance their operations solely from revenues received from business operations. Most activities had authority to retain up to four percent of their earnings to finance either periodic upgrades of their infrastructure or cope with surges and contractions of business. These retained earnings/profits would allow the business operations to be self-sustaining, and business lines would succeed or fail depending on their ability to attract and retain satisfied government customers. Customers for the franchise activities were to be government agencies within and outside of the departments or agencies in which the activities were located. The rationale for this approach is that a competitive environment would put pressure on other franchise activities and/or other government service providers to enhance service quality and or reduce the cost of services to gain a competitive advantage, or else run the risk of losing customers or going out of business altogether. How would the state benefit from developing a similar model? A franchise model institutionalizes an entrepreneurial framework, providing increased budget, service delivery and organizational flexibility. This additional flexibility will be needed to successfully implement competitive contracting. Franchise activities will need to acquire the resources, unimpeded by traditional controls, in order to meet customer's needs and remain competitive. A franchise model reduces the prevalence of duplicative administrative services through increased competition and improved service provision.

Examples(s): Link to Tollgate 2 POG document:
<http://www.ofm.wa.gov/budget/pog/pdf/tollgate02/stategov2.pdf> (also filed in the 2004 Roadmap directory in the POG 11 folder)

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DISCUSSION DRAFT

Budget/Performance

A. Key Decisions

Priority 1-High

Policy

Focus Groups

135 What enterprise data standards are necessary to support strategic performance measurement?

Description: Performance Measurement and Reporting is currently done on an agency-by-agency basis with very little support from statewide systems. With the new emphasis on performance measurement and the Priorities of Government focus on measuring results across agencies, it may be beneficial to establish an enterprise database of performance measures. Note: In cases where an enterprise reporting need is identified, it is important to have very clear definitions of how agencies are to use the impacted account code/data fields.

If it is determined that enterprise data is needed, who would own and maintain the master data? How would the logistics of converting all agencies to the new data standards be managed?

Examples(s):

Priority 1-High

Policy

CBPO

38 To what extent can performance measurement requirements be standardized?

Description: Performance measurement needs to be consistently defined and applied to budgeting decisions, particularly those things that are not directly dollar related. The POG process intended to go in this direction, but has not truly done so because decisions are not yet based on assessment of activity performance or effectiveness. This problem can't be solved by a system until there is an agreed upon governing approach, even if the means the criteria used to determine activity effectiveness are not exactly the same across all activities. Note: The impact of proposed Performance Management and Performance Audit legislation is not fully known; Implementation may require significant legislative, process, data, and system changes.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Budget/Performance

A. Key Decisions

Priority 2-Medium Organizational Focus Groups

137 To what extent should Risk Management functionality be part of the Roadmap scope?

Description: The modeling focus groups marked Risk Management functionality as "Out of Scope?" in the Enterprise Business Process Model. This indicates we did not yet have enough information about the business function, the enterprise data requirements for the function, and the functionality that might be available in the tools acquired for the Roadmap, to make a scope decision. These scope decisions must be made as part of the feasibility study for each of the Roadmap projects. Note: Statewide risk management is specifically marked as "Out of Scope?" but there was also some question about the extent to which Agency risk management should be within scope.

Examples(s):

Priority 2-Medium Policy Focus Groups

103 To what extent should methodologies for cost determination be standardized?

Description: Agencies currently utilize a variety of tools and methods to determine costs for fiscal notes and decision packages. A high volume of supporting materials is required to explain how costs are determined. A more standard cost determination process would reduce analysis and paperwork, and offer more consistency and credibility. Some level of standardization would also increase the feasibility that common cost allocation tools would meet the needs of multiple agencies.

Examples(s):

D. Opportunities for Process Improvement

Priority 2-Medium Policy Advisory Group

71 Can the process for requesting authority to spend unanticipated receipts be streamline?

Description: SAAM Policy requires most recoveries to be recorded as revenue rather than as credits against expenditures but the process for requesting authority to spend the amount recovered is cumbersome. Agencies must request an unanticipated receipt or even a new appropriation through the budget process. Can the process be streamlined?

Examples(s):

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Budget/Performance

D. Opportunities for Process Improvement

Priority 2-Medium Process Advisory Group

64 Can capital project budget cycle requirements be simplified?

Description: Multi-year capital projects need to be planned and managed over their life cycle; requirements to also budget and manage projects within several two year state biennial periods adds significant complexity. A formal re-appropriation process is currently required for each new budget cycle.

Examples(s):

Priority 3-Low Process CBPO

36 There may be an opportunity to reduce supporting detail required for budget submissions

Description: Agencies are required to submit a lot of supporting detail with their budget requests, much of which may not be used by decision makers. Need to determine how much detail is actually used by whom.

Examples(s): Detailed decision package format - categories are redundant to the description paragraph.

E. Requirements

Priority 1-High Process JLARC

104 OFM needs more oversight in the early planning stages of capital planning process

Description:

Examples(s):

Priority 1-High System/Data CBPO

37 Budgeting tools must support both POG and incremental methods

Description: The current process of POG zero-based decision-making based on Activity inventories is cumbersome and time consuming since the state still also has an incremental budgeting process and tools. The two worlds do not mesh and the result is thousands of staff hours spent simply re-formatting the same information in many different ways.

Examples(s):

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Budget/Performance

E. Requirements

Priority 1-High

System/Data

CBPO

10 Performance data must be linked to financial data to support performance measurement and reporting

Description: Performance measure data is currently captured separately from financial data, making it difficult to align dollars with expected results. Agencies don't have tools to help them integrate performance measures with strategic business information and the cost of service from financial data and non-financial measures (e.g. customer wait time). Improved functionality is urgently needed to increase employee/program accountability consistent with current performance measures and quarterly follow-through meetings with program leaders. **Note:** Reporting tools must be able to capture performance measures that cross agency and program lines.

Examples(s):

Priority 1-High

System/Data

CBPO

100 OFM, the Legislature, and agencies need to be able to access each other's versions of the budget

Description: Different budget tools are used by OFM, the Legislature, and agencies; this creates communications barriers and wasted time when information needs to be shared. Any changes made by OFM and the Legislature need to be "retrofitted" manually into the agency version. **Note:** each party also requires the ability to perform "What If" analyses private from the other parties.

Examples(s):

Priority 1-High

System/Data

CBPO

70 Reporting tools must be able to link financial data with non-financial performance measures

Description: Current budget management tools focus too much on the dollars and not enough on the results that the dollars are intended to return. With better-integrated budget, expenditure and performance measure information, managers can make better resource decisions and increase the results they deliver for the citizens of this state. Two other elements are critical to success in this area. First, managers need much more timely data about their operations and budget deployment impacts than they receive today. Second, they need tools that enable them to find the story in the mass of data. Too much time is spent today in manually creating analyses and charts. Tools should help managers quickly identify the trends, projections, and items of business interest that our rich data can provide.

Examples(s): Legislative provisos for capital projects often require reporting of both financial and non-financial data; and require data that may not be tracked in state or agency systems.

Budget/Performance

E. Requirements

Priority 2-Mediu

Process

Focus Groups

101 Ties between operating and capital budgets and strategic plans need to be stronger

Description: To strengthen capability to integrate pre-planning and life cycle costs into the capital projects. Also an organizational issue because some agencies have separate capital and operating budget groups.

Examples(s):

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DISCUSSION DRAFT

Capital Assests

A. Key Decisions

Priority 1-High

Policy

CBPO

39 What enterprise data standards and tools are needed to support strategic asset management?

Description: The state lacks comprehensive, accurate, easily accessible data to support strategic decisions on investments in capital assets. Improved planning and management, particularly for facilities and infrastructure, require long-term plans for repair and renewal projects as well as expansion. Complete, factual plans would enhance government credibility, facilitate quality investment decisions, and help ensure funding is available when needed. Asset management tools could help agencies find innovative ways to leverage existing assets, such as turning surplus capacity into readily available resources. An enterprise-wide, strategic focus will integrate asset management with other management and financial information and functions to better support agency missions and protect public safety.
If it is determined that enterprise data is needed, who would own and maintain the master data? How would the logistics of converting all agencies to the new data standards be managed?

Examples(s): Is it necessary for Asset ID (tag number) to be unique across the enterprise? What other enterprise data is needed?

Priority 3-Low

Policy

Advisory Group

61 Should the capitalization threshold be increased above \$5,000?

Description: A higher threshold would reduce agency asset management workload. The state currently sets the threshold to match Federal guidelines; a different threshold could be applied to State assets, but then agencies would need to account for Federal assets differently.

Examples(s):

D. Opportunities for Process Improvement

Priority 2-Mediu

Process

Lenore Miller GA

40 Could business plan instructions be improved to promote better strategic planning?

Description: OFM instructions for agency business plans could be clearer to help agencies approach asset management more strategically. The capital plan should 'jump off' from a good business plan.

Examples(s):

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DISCUSSION DRAFT

Capital Assests

D. Opportunities for Process Improvement

Priority	3-Low	Process	Prior interviews with agencies
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42 Small and attractive assets may be over-controlled by some agencies

Description: SAAM 30.40.20 requires agencies to establish risk-based agency policies to protect small and attractive assets. Some agencies apply the same stringent policy to every asset listed in the OFM policy, regardless of the relative risk for the agency. There may be an opportunity to help agencies reduce administrative effort by taking a more risk-based approach.

Examples(s):

E. Requirements

Priority	1-High	Process	Advisory Group
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66 Depreciation must be correctly calculated

Description: State agencies use a variety of systems to manage assets and calculate depreciation; the systems have varying capabilities to handle complex situations such as renovations and asset improvements, and may not all be calculating depreciation accurately.

Examples(s):

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Capital Assests

E. Requirements

Priority 1-High

System/Data

CBPO

57 Agencies need tools for life cycle management of capital projects

Description: A JLARC study entitled "Higher Education Facilities Preservation Study" concluded that "existing preservation accountability systems, policies, and budget practices do not promote or ensure cost-effective preservation [of existing facilities]". Also, facilities preservation information routinely reported to OFM by higher education institutions, particularly the six baccalaureate institutions, is not sufficient for statewide budgeting, monitoring, and accountability. The study recommended OFM establish minimum preservation expenditure thresholds and improve reporting of expenditures. An 8/6/2003 follow-up report states that OFM will need more time to implement the recommendation and adjust to the new approaches to preservation budgeting and accountability initiated during the 2003 legislative session. The JLARC work plan f04 2003-05 includes performance audits of the Capital Budget Process and agency Capital Project Management. The specific recommendation is for Operating budget preservation expenditures to be reported using clearly defined subprograms. Capital budget preservation expenditures should also be reported using uniform reporting categories. OFM should consult with individual institutions, the SBCTC, and the Legislative Evaluation and Accountability Program Committee (LEAP) when developing reporting requirements and protocols for this fiscal information.

Examples(s): JLARC original study 03-01: <http://www1.leg.wa.gov/reports/03-1.pdf>; 8/6/2003 follow-up report: <http://www1.leg.wa.gov/reports/03-8.pdf> shows recommendations. Section 923 of the 2003-05 Capital Budget calls for performance audits of state capital planning, design, and construction processes. Topics will include: (b) Evaluation of the management and fiscal controls surrounding agency capital project decision making and implementation processes, such as policy goals, planning procedures, budget limits, cost and performance standards, criteria for selecting project priorities, written instructions, review processes, as well as management, oversight, reporting, and accountability systems; (d) Assignment of agency staff and administrative costs to major capital construction projects and the relationship of such agency costs to project delivery;

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Capital Assests

E. Requirements

Priority	1-High	System/Data	Advisory Group
65	Systems must accommodate multiple complex funding sources for capital projects		
Description:	Some capital projects are funded from more than a dozen capital Fund sources with different time periods; operating Funds are increasingly being added to the mix also. Systems need to better support this complexity.		
Examples(s):			

Priority	1-High	System/Data	OFM Capital Asset Management Feasibility Study
58	Better tools are needed to improve accountability for capital assets		
Description:	A recent assessment of the state's asset management needs disclosed several weakness in the current capital asset management system (CAMS). These included lack of asset history, inability to query or report flexibly on asset data, and the limitations of its mainframe-based architecture—particularly its user interface and lack of internet access.		
Examples(s):	Feasibility Study recommendations document: http://www.ofm.wa.gov/_test/roadmap/deliverables/camsrecommend.doc		

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Capital Assests

E. Requirements

Priority 3-Low

System/Data

OFM Capital Asset Management
Feasibility Study

56 Better support for preparation of annual inventory of state facilities & lands is needed

Description: RCW 43.82.150 requires OFM to publish an annual inventory of state-owned or leased facilities report. The state asset system does not include all of the information required, so most agencies have to compile the information manually. A solution to meet OFM's facilities information needs must replace the OFM Facility Inventory System (FIS), which is not used operationally by agencies, but rather is a mechanism for agencies to report to OFM once a year to meet statutory requirements for collecting data on the cost, location and condition of facilities operated by the state. FISDOS is a Visual Basic for DOS application that is distributed on disk in May of each year to collect an annual inventory of facilities owned and leased by state agencies. FISMAIN is a reporting tool written in Visual Basic version 3.0 that is used by OFM to report on the data collected through the FISDOS application. OFM recently conducted an assessment of FIS, which found the existing system has a high probability of near term collapse because of obsolete and unsupported technology. It found the current system is under-utilized, contains inaccurate data and lacks decision support information. It recommended OFM replace FIS with a comprehensive capital asset facility inventory program, working in phases to prevent system collapse and maintain compliance with statute, adding facility management and decision support in later phases.

Examples(s): RCW:
<http://www.leg.wa.gov/RCW/index.cfm?section=43.82.150&fuseaction=section>
Where is the Land requirement? LEAP?

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Capital Assets

D. Opportunities for Process Improvement

Priority 2-Medium Policy Focus Groups

80 State policy should apply complex regulations only to the appropriate classes of assets

Description: State policy applies to a broad array of asset classes, some of which the complex regulations (GASB or Federal) are not specifically designed for. OFM and the agencies can work together to ensure SAAM policy provides appropriate flexibility to apply complex regulations only to the appropriate classes of assets.

Examples(s): GASB 34 rules for equipment should not be applied to roads.

E. Requirements

Priority 1-High System/Data Focus Groups

81 Capital Asset reporting needs to support multiple perspectives

Description: Agencies require the capability to report from several perspectives 1) GASB requirements, 2) asset financial and accountability management, and 3) asset life cycle management.

Examples(s):

Priority 2-Medium Process Focus Groups

83 State needs data to support innovative space planning

Description: With enterprise visibility into data on where agencies have vacant space, facilities managers could negotiate inter-agency co-location agreements. Fewer locations would result in lower utility, rent, and data transmission line costs.

Examples(s):

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DISCUSSION DRAFT

Cost Accounting

A. Key Decisions

Priority 1-High

Policy

Experience

29 Which RCWs need to be revised to support a more common approach to cost accounting?

Description: RCWs sometimes require specific accounting treatment of various direct and indirect costs, making it more difficult to provide enterprise cost accounting standards and tools.

Examples(s): Examples: RCW 90.03.470 (4) For making a copy of any document recorded or filed in his office, forty cents for each hundred words or fraction thereof, but when the amount exceeds twenty dollars, only the actual cost in excess of that amount shall be charged. RCW 43.63B.070: The fees shall be limited to covering the direct cost of issuing the certificates, administering the examinations, and administering and enforcing this chapter. The costs shall include only essential travel, per diem, and administrative support costs. RCW 18.27.070: The entire amount of the fees are to be used solely to cover the full cost of issuing certificates, filing papers and notices, and administering and enforcing this chapter. The costs shall include reproduction, travel, per diem, and administrative and legal support costs. RCW 72.01.280 The secretary shall charge and collect from such officers and employees the full cost of the items so furnished, including an appropriate charge for depreciation of capital items. RCW 42.17.260 (b) In determining the actual per page cost or other costs for providing copies of public records, an agency may not include staff salaries, benefits, or other general administrative or overhead charges, unless those costs are directly related to the actual cost of copying the public records. Staff time to copy and mail the requested public records may be included in an agency's costs.

Priority 1-High

System/Data

CBPO

17 Is the labor distribution capability in HRMS adequate to meet agency needs?

Description: Since labor costs represent the majority of costs for most agencies, robust time capture and labor distribution functionality is needed to support cost allocation. The current plan for HRMS labor distribution may not collect and distribute all the timesheet data needed to meet cost accounting requirements for all agencies. Currently, agencies are limited to charging time to AFRS account codes; agencies need the flexibility to charge time to agency-unique codes such as jobs, tasks, assets, cases, etc. A gap analysis is needed to determine whether supplemental enterprise or agency tools will be required.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Cost Accounting

A. Key Decisions

Priority 2-Medium

Organizational

Focus Groups

138 To what extent should Project Management functionality be part of the Roadmap scope?

Description: The modeling focus groups marked both Capital and Non-Capital Project Management functionality as "Out of Scope?" in the Enterprise Business Process Model. This indicates we did not yet have enough information about the business function, the enterprise data requirements for the function, and the functionality that might be available in the tools acquired for the Roadmap, to make a scope decision. These scope decisions must be made as part of the feasibility study for each of the Roadmap projects. Note: Complex projects, especially Transportation Capital Projects, will probably always require specialized agency unique tools to supplement enterprise tools.

Examples(s):

Priority 2-Medium

Policy

Experience

30 To what extent do revolving fund policies and practices need to be changed to support the Roadmap?

Description: 1) Revolving fund agencies are often required to bill actual costs for their interagency services but agencies have are limited in the amount they can pay, because their appropriations are based on estimated service levels. This results in some pressure on the service provider agency to invoice "actual costs" that closely approximate estimated amounts for each agency; 2) Some revolving funds are required to bill in advance for services which creates issues for agencies paying with federal funds; 3) Revolving funds must comply with federal retained earnings limitations (when retained earnings for a fund exceed the 60-day allowance, the State must either repay the federal share of the excess or reduce the excess by adjusting the billings for the fund).

Examples(s): Attorney General: RCW 43.10.150 Legal services revolving fund -- Created -- Purpose. A legal services revolving fund is hereby created in the state treasury for the purpose of a centralized funding, accounting, and distribution of the actual costs of the legal services provided to agencies of the state government by the attorney general. RCW 43.10.160 The amounts to be disbursed from the legal services revolving fund from time to time shall be transferred thereto by the state treasurer from funds appropriated to any and all agencies for legal services or administrative expenses on a quarterly basis.

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Cost Accounting

A. Key Decisions

Priority 2-Medium

Process

Focus Groups

113 How can the risks of increased time reporting requirements be most effectively mitigated?

Description: Effective cost accounting would probably involve more extensive time reporting; employees who are not currently asked to report their time by cost center may balk at added time reporting requirements. The Labor Relations Office may be able to help agencies mitigate this risk.

Examples(s):

C. Constraints

Priority 1-High

System/Data

Focus Groups

85 Federal agencies often have specific accounting and management requirements

Description: Agencies have to comply with prescribed processes or they don't get the money.

Examples(s):

E. Requirements

Priority 1-High

Process

Focus Groups

86 WSDOT work order costing, allocation, and billing requirements must be met

Description: Work orders (common unit of cost capture), contracts, cost allocation process, and billings have to be tightly integrated to meet WSDOT's business needs. TRAINS automatically triggers billings now, when costs are entered with appropriate data.

Examples(s):

Priority 1-High

System/Data

CBPO

18 Flexible cost allocation tools are needed

Description: Agencies need the capability to allocate administrative costs to cost objectives to accurately determine costs and maximize revenues, using allocation methods that are appropriate for the business situation.

Examples(s):

Cost Accounting

E. Requirements

Priority	1-High	System/Data	CBPO
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16 Agencies need cost analysis tools to inform decisions

Description: Incomplete, dubious data impedes the ability of state policy-makers and managers to measure performance, evaluate competitive contracting proposals, manage agency business operations effectively, price government services, make life-cycle investment decisions, assign costs to level of service options, and support a “priorities of government” approach to budgeting. Systematic and accurate allocation of full costs to government programs is needed to help managers allocate resources among competing priorities and distinguish between strategies that work and those that don’t. For many state agencies, cost accounting is the key to governmental accountability and public trust.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

General Ledger/Financial Reporting

A. Key Decisions

Priority 1-High

Policy

CBPO

12 Should agencies be able to/required to account by budget Activity code?

Description: Agencies are required to budget by Activity but the charts of account in AFRS and TRAINS do not support accounting by Activity. Therefore, the connection between Activities, the money spent on them, and the results achieved do not exist in a form or format that is accessible and useful for statewide or agency management. Several agencies reported this as an Urgent Business Need (problem must be addressed within 1 to 2 years). From an enterprise perspective, the activity inventories prepared by agencies are an important first step to find out what the taxpayers are buying within each priorities of government results group, but intra-agency and cross-agency results are still difficult to compile. The Chart of Accounts project will collect information about the level of agency interest in being able to account for costs by Activity.

Examples(s): Department of Financial Institutions (DFI): Better support for Activity accounting is needed now. Resources are being wasted reconciling constantly between Activity-based manual processes and the Program data in AFRS. Office of Superintendent of Public Instruction (OSPI): With Activity Inventory and Priorities of Government becoming such critical pieces of the budget process, OSPI has had to resort to a very labor-intensive, cumbersome spreadsheet to derive the Activity information. State Auditor's Office (SAO): Currently SAO is required to budget by activity but the chart of accounts does not support accounting by activity.

Priority 1-High

Policy

Advisory Group

73 How prescriptive should the state be in reserving account codes to support enterprise needs?

Description: Currently only a small handful of key financial data fields are unique across the enterprise: general ledger account, fund, appropriation, agency, program function, revenue group and source, and expenditure object and sub object. These fields are consistently used by all state agencies and the data can be summarized across agencies to meet enterprise reporting objectives. With the new HRMS, Employee ID has been added to the list (but only for agencies using HRMS). County and city codes are also standardized but their use is optional. Agency vs. central control over various fields in the enterprise chart of accounts. Growing number of state and agency information needs and a limited number of account code fields.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

General Ledger/Financial Reporting

A. Key Decisions

Priority 1-High

System/Data

CBPO

11 What changes to the chart of accounts are needed to support both agency and statewide needs?

Description: Agencies gave a high priority to improving the state chart of accounts in the Roadmap business problem prioritization survey. From the agency perspective, flexibility is needed to use the chart of accounts to represent the agency's business and organizational structure, and define account code fields for the purpose of collecting agency-specific cost objectives. From an enterprise perspective, the information necessary to support enterprise strategic objectives must be identified and standardized across agencies; compiling data agency-by-agency is too labor intensive and not timely. The Chart of Accounts project is working towards recommended improvements to the state chart of accounts.

Examples(s): Currently only a small handful of key financial data fields are unique across the enterprise: general ledger account, fund, appropriation, agency, program function, revenue group and source, and expenditure object and sub object. These fields are consistently used by all state agencies and the data can be summarized across agencies to meet enterprise reporting objectives. With the new HRMS, Employee ID has been added to the list (but only for agencies using HRMS). County and city codes are also standardized but their use is optional.

Priority 2-Medium

Policy

Focus Groups

107 Five government functions may not be enough for CAFR reporting

Description: The current five CAFR functions may not adequately represent our government (education, human services, general government, natural resources, transportation). Also, entire agencies are classified together; maybe should do it by Program (WSDOT has some Natural Resource functions that are not currently recognized). For instance, should Public Safety be added?

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

General Ledger/Financial Reporting

A. Key Decisions

Priority 2-Medium

Policy

CBPO

75 Should the state continue to use the Transaction Code approach for general ledger accounting?

Description: AFRS transactions must be entered using pre-defined transaction codes; the transaction codes determine which general ledger accounts will be debited and credited for the dollar amount of the transaction. The transaction code approach ensures debits will equal credits and that logical pairs of general ledger accounts will be used. Also, the transaction code approach works well for most governmental operations. However, this approach may be too limiting for agencies with complex business operations such as the Lottery and LCB. These agencies require more flexibility to debit and credit seldom used accounts and subsidiaries. Note: Do most technical solutions offer a choice between methods, or will the choice of solution be the deciding factor on this issue?

Examples(s): Lottery comments in survey: Transaction codes in AFRS are not flexible enough to meet agency-specific needs, or do not allow subsidiary accounts, which are necessary to track cash and revenues. In many cases, input of JV transactions is double or triple due to this problem. This increases the staff time required to process JV's, increases chances for human input error, and makes processing unnecessarily complicated.

B. Critical Success Factors

Priority 1-High

Organizational

Advisory Group

74 The risks of changing the state chart of accounts must be fully understood and mitigated effectively

Description: The Accenture white paper "A New Look at the Chart of Account" lists the following potential risks and offers mitigation strategies: 1) May make historical comparisons difficult (e.g. the LEAP requirement to recast 10-years of historical data, and for agencies needing to track multi-year projects across biennium lines); 2) Stakeholders may resist the transition away from traditional budget structure (Program); 3) May discover regulations that refer to chart of account elements and need to be changed; 4) High workload to change interfacing systems designed to work with the current chart of accounts; 5) General resistance to change; 6) Training and communication issues

Examples(s):

C. Constraints

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

General Ledger/Financial Reporting

C. Constraints

Priority

System/Data

CBPO

34 Local funds require special processing

Description: State policy allows some agencies to operate local funds, in commercial banks outside the state Treasury. Special transaction codes and processes are required to record local fund transactions in AFRS, and reconciliation between local bank accounts and AFRS records is labor intensive.

Examples(s):

E. Requirements

Priority 1-High

System/Data

CBPO

14 Better tools are needed for agency business operations such as revolving funds and product sales

Description: Legacy state accounting systems give priority to meeting governmental accounting needs instead of agency business operations such as equipment revolving fund and product sales. Agencies with enterprise operations require broad visibility into all aspects of their business operations to maximize revenues and meet performance objectives. Examples include determination of sales per square foot, sales per salesperson, product profitability trends, customer demographics and satisfaction levels, and cost of goods sold. Some agencies such as the Liquor Control Board face potential business disruptions due to the instability of their aging financial systems. Also agencies such as the Lottery that operate as a business need financial reporting capabilities currently not available in AFRS.

Examples(s): To prepare monthly financial statements, Lottery staff must download year-to-date data from AFRS into an agency data warehouse (EIS), extract the data to ACCESS, group the data into combinations, and then copy to Excel. Within Excel, the data is put into a pivot table, which feeds the financial statements. AFRS data does not group the information the way it is needed. In addition, AFRS does not have the ability to create monthly financial statements. (e.g., income statement, balance sheet, cash flow statement). The Lottery prepares its own CAFR each year, and this is not supported by AFRS. Records must be maintained on a fiscal year basis; AFRS data is gathered on a biennium basis. Beginning fiscal year account balances are not available until many months after year-end, making balance sheet data inaccurate for a lengthy portion of each fiscal year. Data needed to prepare the year-end CAFR disclosure forms is not readily available; FASTRACK can provide the detail, but the totals must be manually calculated. Reconciliation between internal records and AFRS is extremely cumbersome and labor-intensive (e.g. cash activity in our local bank accounts is reconciled from bank to Lottery records, then to AFRS).

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

General Ledger/Financial Reporting

E. Requirements

Priority 1-High	System/Data	Focus Groups
106	Chart of accounts must have sufficient flexibility to change with emerging budget practices	
Description:	In government, budget sets the priorities for accounting. Accounting has not kept pace with newer budget requirements such as priorities of government, Activities, and performance measurement. Currently, agencies have to reconcile accounting data to budget classification structures.	
Examples(s):		
Priority 1-High	System/Data	Focus Groups
94	Systems need to capture transaction data just once, in the early stages of a transaction	
Description:	Need to capture account coding, vendor, commodity code, contract #, etc. early and just once (e.g. record account coding on purchase and have it carry through to payment.) Redundant data entry results in extra work, high error rates, and untimely data.	
Examples(s):		
Priority 1-High	System/Data	CBPO
127	Flexible cost objective fields are needed in the state Chart of Accounts	
Description:	Agencies need the ability to code expenditures and revenue to cost objectives for cost allocation analyses.	
Examples(s):	An agency may need to track labor hours and payable costs to case numbers, projects, services, or specific capital assets or facilities.	
Priority 2-Medium	System/Data	CBPO
77	Better tools are needed for managing investments and long term debt	
Description:	Agencies such as the Lottery require system support for managing investments in securities (safekeeping) and the interest amortization calculations involved, and for tracking long-term debt such as payments to winners with annuity type prizes.	
Examples(s):		

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

A. Key Decisions

Priority 1-High

Policy

CBPO

123 What enterprise data standards are necessary to support strategic sourcing initiatives?

Description: Data collection and analysis is a major challenge for strategic sourcing. Key data on how much of what the state buys on which contracts from which vendors is either only available from paper files or spread across many disparate systems in inconsistent formats. Establishing enterprise data standards for the definition and format of Vendor ID, Commodity Code, and Contract ID would facilitate compiling statewide data to support strategic sourcing decisions. Requiring these 3 fields to be unique across the enterprise (e.g. Vendor ID 1000000 represents the same exact vendor in every system) would further facilitate decision support and vendor and contract management capabilities. Notes: 1) A strategy for "one-time" vendors would be needed. 2) In cases where an enterprise reporting need is identified, it is important to have very clear definitions of how agencies are to use the impacted account code/data fields. If it is determined that enterprise data is needed, who would own and maintain the master data? How would the logistics of converting all agencies (and potentially Higher Ed and Local Government?) to the new data standards be managed?

Examples(s): Commodity Codes: SAAM 30.50.10 "Schedule A - Capital asset commodity class code list and useful life schedule", provides a commodity code structure for Capital Assets but it's not suitable for goods and services or manufactured assets, does not represent an industry standard. AFRS does not have a Commodity Code field, so this data cannot be recorded on payment or purchase transactions. Establishing new Commodity Code data standards has significant implications for current asset management systems that use the SAAM structure. Some sort of cross-walk would probably be necessary. Vendor Ids: AFRS provides both statewide and agency vendor files. Agencies can pay vendors using their 'agency vendor Ids' even when a statewide vendor ID has been assigned. WSDOT and Higher Education entities maintain and use separate vendor Ids. AFRS agencies can also pay vendors with no Vendor Ids using a generic 'V0D0' code (intended for one-time vendor payments). The GA WEBS vendor registration system and various agency procurement systems reference still different vendor ID codes. For TUPS, the strategy was to use Tax ID as the common data thread, but this approach can introduce privacy issues for vendors that use their social security numbers as their vendor ID. Only statewide vendors can be paid electronically, which is the lowest cost, lowest risk payment method.

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

A. Key Decisions

Priority	1-High	Policy	CBPO
122	To what extent do agency procurement policies and practices need to be aligned with state policy?		
Description:	Redundant, overlapping agency procurement policies and procedures contribute to employee and vendor confusion and higher prices for state goods and services.		
Examples(s):	Typical Agency purchasing procedures (ESD: http://insideesd.esd.wa.gov/asd/Policy/Policies_PDF/2000/PP_2003_1_Purchased_Goods.pdf) OFM: http://ofm004/internalpolicies/110.htm , http://ofm004/internalpolicies/108.htm		

Priority	1-High	Policy	CBPO
126	What enterprise data standards are necessary to support strategic consumable inventory management?		
Description:	Agencies and often divisions within agencies maintain separate inventory item code listings, which increases administrative workload and impedes enterprise visibility into inventory management issues. Requiring Item Codes to be centrally assigned and unique across the enterprise (e.g. Item Code 1000000 represents the same identical part number in every system) would enhance inventory management by 1) enabling statewide and agency aggregation and analysis of stock levels and turnover rates; offering the potential to locate key supplies and parts that might be available from other agencies in the event of emergencies, 3) presenting a single face to suppliers for stock orders, with the possibility of consolidating orders across agencies for volume discounts. Note: In cases where an enterprise reporting need is identified, it is important to have very clear definitions of how agencies are to use the impacted account code/data fields. If it is determined that enterprise data is needed, who would own and maintain the master data? How would the logistics of converting all agencies to the new data standards be managed?		
Examples(s):	Currently only a small handful of key financial data fields are unique across the enterprise: general ledger account, fund, appropriation, agency, program function, revenue group and source, and expenditure object and sub object. These fields are consistently used by all state agencies and the data can be summarized across agencies to meet enterprise reporting objectives. With the new HRMS, Employee ID has been added to the list (but only for agencies using HRMS). County and city codes are also standardized but their use is optional.		

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

A. Key Decisions

Priority 1-High

Policy

CBPO

1 What changes to state purchasing policies and processes are needed to support the Roadmap?

Description: Redundant and inconsistent contracting statutes and business practices contribute to duplication of effort, vendor/ agency confusion, and higher prices. The Washington Association of Contract Specialists identified 260 different processes for state purchasing. Authority to set purchasing/ contracting policy is assigned to GA for purchased goods and services except IT, the ISB/DIS for IT, and OFM for personal services. OFM is also responsible for issuing contract guidelines for client service contracts, but agencies procure and award their own client service contracts. GA has special policies for personal service contracts for architectural and engineering services. Simplifying and streamlining purchasing policies and processes could deliver significant business value for the state.

Examples(s): Pages 4 thru 15 of the OFM Guide to Personal Service Contracting (<http://www.ofm.wa.gov/contracts/psc/psctoc.htm>) compiles all the state purchasing regulations. GA: Purchasing Decision Tree diagram (http://www.ga.wa.gov/pca/Forms/_Toc92164151) 1st step is "Good or Service under statutory authority 43.19; if not, instruction is to "Purchase under appropriate statutory authority") This is one page in GA's Purchasing Manual, which is a good reference for other Purchasing Policy and process issues (<http://www.ga.wa.gov/pca/Forms/Washington-Purchasing-Manual.doc>). Arch & Engr services (<http://www.ga.wa.gov/vendor/vendor-cp.htm>) ISB: Powers and duties of board. The board shall have the following powers and duties . . . to develop standards governing the acquisition and disposition of equipment, proprietary software and purchased services, and confidentiality of computerized data (<http://dis.wa.gov/isb/RCW041.htm>) ; OFM: SAAM 15.10.10 Personal services are to be procured and awarded by state agencies in accordance with the requirements of Chapter 39.29 RCW (<http://www.ofm.wa.gov/policy/15.10.htm>) OFM Guide to Personal Service Contracting (<http://www.ofm.wa.gov/contracts/psc/psctoc.htm>) OFM Client Server policies (<http://www.ofm.wa.gov/contracts/client.htm>) Typical Agency purchasing policy (ESD: http://insideesd.esd.wa.gov/asd/Policy/Policies_PDF/2000/PP_2003_1_Purchased_Goods.pdf) Typical Agency purchasing procedures (ESD: http://insideesd.esd.wa.gov/asd/Policy/Policies_PDF/2000/PP_2003_1_Purchased_Goods.pdf) OFM: <http://ofm004/internalpolicies/110.htm>, <http://ofm004/internalpolicies/108.htm>

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

A. Key Decisions

Priority 1-High

Policy

Focus Groups

95 How aggressive should the state be in enforcing use of state purchase contracts?

Description: A key strategy for implementation of Strategic Sourcing is to better enforce agency use of state purchase contracts. Traditionally, agencies can fairly easily avoid using state contracts. Note: Per the POG 11 team report, statutory changes may be needed to limit the delegated purchasing authority of certain state agencies.

Examples(s):

Priority 1-High

Policy

CBPO

54 How aggressive should the state be in consolidating its supplier base?

Description: Industry best practice is to reduce the number of vendors so the supply chain can be integrated, strong partnerships can be formed with a few suppliers, and better volume discounts can be negotiated. This is in conflict with the State's culture/policy for open competition, preference to minority and small vendors, and doing business with local suppliers (DOC especially). The value of doing business with local suppliers and supporting small and minority vendors needs to be taken into consideration.

Examples(s):

Priority 2-Medium

Policy

Advisory Group

63 Should agencies be allowed to make advance payments where it is the industry standard?

Description: SAAM policy prohibits payment in advance of receipt for almost all goods and services. It is industry practice to pay for some commodities such as pharmaceuticals, real estate, and software in advance of receipt. In these cases, the state often pays higher prices because special payment arrangements need to be made. Note: Even if the state allowed additional flexibility in this area, Federal rules might still preclude the practice where grant funding is involved. Also, expanded use of P-cards may help to resolve this issue.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

A. Key Decisions

Priority 2-Medium

Policy

CBPO

7 What policy changes are needed to increase savings from use of purchase cards?

Description: Even though purchase cards have been shown to streamline the procurement process and reduce payables processing effort significantly, they are still widely underutilized by most state agencies. RCW 43.19.185 authorizes agencies to use credit cards (e.g., purchase cards) for making purchases under rules established by GA. GA codified these rules in WAC 236-48-250 through WAC 236-48-253. SAAM 45.10.60, leaves it up to each agency to establish purchase card procedures. A state-level policy may help to ensure the state receives full business value from the purchase card program.

Examples(s): See also related issues # 46 and 96.

Priority 2-Medium

Policy

Focus Groups

99 To what extent should business relations between agencies be standardized?

Description: Traditionally, agencies manage their interagency business with a great amount of autonomy. Two issues that emerged during the focus groups would require greater central control and standardization: 1) A standard, enforceable settlement process is needed for prompt resolution of disputed interagency payments. 2) Agencies can't manage interagency contracts easily because they aren't separately coded in the accounting records (with Object S credits to expenditure). 3) Both agency AAGs must review interagency contracts - is this really necessary? - why not just have a pre-approved standard set of terms and conditions for all interagency agreement situations?

Examples(s): DOH uses special appropriation index codes to track IAG contracts which is inconsistent with the official purpose for Appropriation Index coding.

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

A. Key Decisions

Priority 2-Medium

Process

Focus Groups

131 Should imaging of invoices be a requirement for Accounts Payable?

Description: Most agencies route paper invoices for approval signature and account coding prior to payment. The invoices can be lost during the routing process and payment is often delayed. A few agencies have invested in imaging technology so invoices can be routed and approved electronically. As the state seeks to standardize accounts payable processing, a decision must be made about whether imaging will be part of the standard process.

Examples(s): Considerations: A/P receives documents in a wide range of sizes, shapes and colors. Format, content and print quality vary greatly from one vendor's invoice to another. Expense reports often have many small attachments. Scanners may have difficulty handling the documents. Avoid optical character recognition of invoice images; error rates are too high. With 99% accuracy, every document you try to "recognize" will have at least one error! Screens should be at least 22 inches to allow your staff to accurately interpret information based on document images. Image Indexing should be integrated with entry of information into your payables system to ensure that you'll be able to find documents when you need them. Image indexes can get very large. Your staff should learn how to search efficiently.

Critical Success Factor

Priority 1-High

Organizational

Focus Groups

91 Purchasing offices need to be adequately staffed to support strategic sourcing

Description: A high level of professionalism is required to perform supply chain management effectively. To achieve targeted results for strategic sourcing, the state needs to recruit and/or develop procurement professionals and recognize supply chain management as a vital function.

Examples(s):

D. Opportunities for Process Improvement

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

D. Opportunities for Process Improvement

Priority 2-Mediu Policy Advisory Group

133 Sole source IT purchase criteria could be more consistent

Description: DIS requires different criteria for a sole source IT purchase or contract justification than OFM requires for a personal services contract. This comes into conflict for IT personal services contracts, or the services fall under both statutes. The dollar thresholds used to determine the type of competitive process depends on whether the agency is working with OFM or DIS.

Examples(s): Submitted by Travis Sugarman, DSHS ASD via Mariann Schols

Priority 2-Mediu Process CBPO

8 Interagency payment processes could be further streamlined

Description: Not all agencies utilize available tools for automation of interagency payments (e.g. the IAP interagency payment process) and the tools do not support payments to local funds; these inconsistent practices result in loss of productivity. Also, most receiving agencies must still post the receipt to their subsidiary receivable legers/systems manually.

Examples(s): Agencies cannot use the IAP process to make payments to Correctional Industries at DOC because it is a local fund.

Priority 2-Mediu Process Baseline assessment study

52 Better support is needed for tracking and payment of use tax

Description: Agencies must collect use tax in lieu of sales tax from out of state vendors. These amounts must be tracked, compiled and remitted to the Dept of Revenue. Agency practices vary widely; better systems support is needed.

Examples(s):

Priority 2-Mediu Process Baseline assessment study

44 Invoice approval process may be over-controlled by some agencies

Description: Some agencies apply the same stringent approval process to all invoices regardless of dollar amount. There may be an opportunity to help agencies reduce processing effort by taking a risk-based approach, especially for high volume and low dollar amount, or recurring bills.

Examples(s):

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

D. Opportunities for Process Improvement

Priority 2-Mediu Process SWS Assessment Project

53 Agency purchase practices could be less transaction-focused

Description: Best practice is to use blanket purchase orders wherever possible; need to move away from transaction processing and focus on blanket approvals of open accounts (with appropriate compensating controls). Instead, many agencies create and approve a new order for each purchase.

Examples(s): DOC uses open orders for periodic food replenishment at the institutions; this is a more efficient approach for both the agency and the supplier than creating a new order for each inventory replenishment; TUPS did not support open orders well.

Priority 2-Mediu Process Experience

50 Timing of payments could be timed closer to due date

Description: Agencies usually pay invoices as soon as the payment is approved regardless of the due date. Delaying payment until the due date could increase investment revenues.

Examples(s):

E. Requirements

Priority 1 System/Data CBPO

6 Agencies need to be able to track how much they owe vendors

Description: SAAM 85.70.20.b requires agencies to establish liability balances at the end of each period for all obligations that have been incurred but not paid, and that are due and payable within one year. However, almost all agencies lack tools to help them track commitments to vendors for goods or services received but not yet paid. The state, and most agencies, would not be able to determine how much is owed to a particular vendor at any point in time. Determine accounts payable balances for fiscal month and fiscal year end reporting requires a laborious manual process. Effective tracking of payables would save this effort and also make it much easier to respond to vendor inquiries on the status of their invoices.

Examples(s): For recurring payments such as utility bills, record an estimated payable at the end of each month for unpaid months; for goods, liquidate the encumbrance and record a payable when the goods are accepted; for accrual of unpaid services, requirement to be determined.

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Procure-to-Pay

E. Requirements

Priority 1-High	System/Data	Consumable Inventory System Feasibility Study
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59 Consumable inventory systems need to support modern practices

Description: In addition to lack of integrated processes, major consumable inventory systems at various agencies lack the functionality to track expiration dates, exposing the state to risk of liability for misuse of time sensitive stock such as chemicals and pharmaceuticals. They also do not provide management the analytical and strategic information required to support supply decisions and efficient operations. Additionally, system inventory counts do not always accurately reflect the physical inventory. This creates service delivery issues including inefficient use of maintenance staff and service delivery delays. Systems also lack the basic business controls to ensure that materials are properly used and accounted for. Security is inadequate.

Examples(s): Based on 2004 study of WSDOT consumable inventory system:
http://www.ofm.wa.gov/_test/roadmap/deliverables/_Toc81817722 Based on work by the Enterprise Consumable Inventory Team, the situation in other large inventory agencies is similar.

Priority 1-High	System/Data	CBPO
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46 Enterprise tools are needed to help agencies charge Pcard payments to the correct account codes

Description: Use of P-cards for some procurement saves effort, but it is difficult to assign the correct account coding to the combined invoice from the card provider. Some agencies have developed the capability to accept data feeds from the provider, that purchasers can update with charge codes and indicate receipt. These agencies, notably GA and WSDOT, have achieved good efficiencies. All agencies require this reporting capability. Also, the state may need Level 2 or 3 data from Vendors to provide the detail necessary to support this requirement.

Examples(s):

Priority 2	System/Data	CBPO
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3 Procurement tools must facilitate compliance with Sustainability program requirements

Description: Implementation of a sustainability program requires purchasers to gather and analyze information about the content, source, manufacturing, and disposal of potential purchases.

Examples(s): GA sustainability program website: <http://www.ga.wa.gov/Sustainability/>

Procure-to-Pay

E. Requirements

Priority	2-Mediu	System/Data	CBPO
89	Purchasers need visibility to state and agency contracts and best buys		
	Description:		
	Examples(s):		

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Revenue: Invoice-to-Cash

A. Key Decisions

Priority 1-High

Policy

CBPO

124 What enterprise data standards are necessary to support strategic revenue management initiatives?

Description: Agencies and often divisions within agencies all maintain separate customer records, which increases administrative workload and impairs the state's ability to present a single face to citizens. It is also difficult to send consolidated invoices and identify and manage habitually delinquent customers. Establishing enterprise data standards for the definition and format of Customer ID and Customer Invoice # would support improved revenue collection and customer relations. Requiring Customer ID and Invoice # fields to be unique across the enterprise (e.g. Customer ID 1000000 represents the same exact customer in every system) would further enable aggregation and analysis of receipts and amounts due from specific customers, to facilitate decision support and customer and invoice management capabilities 1) Does the state require these capabilities?; 2) Given the large number of diverse billing systems, is it even feasible to establish and enforce use of common customer management? 3) How would ownership of partial payments be determined in a statewide collections scenario? Note: In cases where an enterprise reporting need is identified, it is important to have very clear definitions of how agencies are to use the impacted account code/data fields. If it is determined that enterprise data is needed, who would own and maintain the master data? How would the logistics of converting all agencies to the new data standards be managed?

Examples(s): Currently only a small handful of key financial data fields are unique across the enterprise: general ledger account, fund, appropriation, agency, program function, revenue group and source, and expenditure object and sub object. These fields are consistently used by all state agencies and the data can be summarized across agencies to meet enterprise reporting objectives. With the new HRMS, Employee ID has been added to the list (but only for agencies using HRMS). County and city codes are also standardized but their use is optional.

D. Opportunities for Process Improvement

Priority 1-High

Process

CBPO

33 Better support is needed for revenue refunds and NSF checks

Description: Processing of revenue refunds and NSF checks is largely manual and labor intensive. Agency practices vary widely; better systems support is needed.

Examples(s):

Revenue: Invoice-to-Cash

D. Opportunities for Process Improvement

Priority 1-High

Process

CBPO

19 Standardization of invoicing and collections practices across agencies may promote efficiencies

Description: Washington State invoicing and collections policies and practices vary widely by agency and even by division within larger agencies. Many agencies share the same customers, but each one sends separate invoices and collections efforts are usually not coordinated. Revenue cycles that begin with agency core business functions might successfully be supported in large part by common invoicing, receipting, and collections practices. In 2003, DSHS led an effort to determine whether efficiencies could be gained by sharing collections expertise and tools between agencies. The study disclosed several issues. 1) Some agencies (notably DSHS) have access to collections tools and techniques not available to other agencies; 2) Some agencies are authorized to bill for services but not to enforce collection of past due amounts; and 3) some agencies use private collections services while others rely exclusively on state staff. Also, it was unclear whether state law would allow one agency to collect debts on behalf of another agency. The study concluded that differences in mission, customer base, and statutory authority may prevent large revenue agencies from sharing collection resources, but that smaller agencies would likely benefit from partnering with larger agencies in this area.

Examples(s): The study is filed on the OFM intranet as: \\Ofm018\APPS\ACCTDIV\2004 Roadmap\reference materials\Statewide Collections - Final Report.doc

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Revenue: Invoice-to-Cash

D. Opportunities for Process Improvement

Priority 2-Medium

Policy

CBPO

26 SAAM 40.40.10 economic feasibility study requirements should be reviewed

Description: SAAM 40.40.10 requires agencies to submit an economic feasibility study (EFS) prior to accepting payments for specific services by electronic methods. To be approved, the EFS needs to demonstrate the net benefit of the proposed application in light of the benefits and costs to the agency, other state agencies and the general public as a whole. Electronic payment options have been around for years, yet some agencies still do not accept credit cards or other electronic payment methods. This is an inconvenience for agency customers. Agencies find the EFS to take an inordinate amount of time and in some cases can only show a small or even negative cash flow. Several aspects of the current policy should be reviewed: 1) Is the requirement still relevant now that electronic payment means are pervasive? 2) Can the state negotiate more favorable treatment for service charges if the payment services are managed at the state level and transaction volumes increase significantly? 3) Could the policy be waived for agencies using future enterprise tools for acceptance of electronic payments? 4) Could the policy be waived in cases where the agency investment is authorized in their approved budget? 5) What are other states doing in this area?

Examples(s): RCW authority for SAAM policy: 43.41.180 Electronic funds and information transfer -- State agency use; (1) The office of financial management is authorized to approve the use of electronic and other technological means to transfer both funds and information whenever economically feasible, to eliminate paper documentation wherever possible, and to provide greater fiscal responsibility. This authorization includes but is not limited to the authority to approve use of electronic means to transfer payroll, vendor payments, and benefit payments and acceptance of credit cards, debit cards, and other consumer debt instruments for payment of taxes, licenses, and fees. The office of financial management shall adopt rules under RCW 43.41.110(13) to specify the manner in which electronic and other technological means, including credit cards, are available to state agencies. (2) No state agency may use electronic or other technological means, including credit cards, without specific continuing authorization from the office of financial management. Finding noted in RCW: (2) The use of credit cards, debit cards, and electronic transfers of funds and information are customary and economical business practices to improve cash management that the state should consider and use when appropriate.

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Revenue: Invoice-to-Cash

D. Opportunities for Process Improvement

Priority 2-Medium Process CBPO

28 Invoicing must be more tightly integrated with accounts receivable

Description: For agencies with decentralized billing, the finance office does not always receive the information necessary to record, report, and control agency accounts receivable balances in the general ledger. Timely, accurate recording of receivables is important for good internal control and to facilitate crediting of payments to the correct account.

Examples(s):

Priority 2-Medium Process CBPO

49 Receipts without all key data result in extra work

Description: Cashiers need key data such as Customer ID and invoice number to credit receivables correctly. Also, Customer ID and some indication of the tax type is needed to record tax receipts. This is especially a problem with electronic receipts. "Mystery money" that does not include key information wastes staff time. Note: Industry best practice is to standardize billing forms across product lines; setting standards for invoice content might encourage better data on receipts.

Examples(s):

E. Requirements

Priority 1-High System/Data CBPO

51 Systems must support the complex revenue distributions required by statutes

Description: Agencies have had to maintain custom systems to help them manage complex distributions of revenues according to statute, and these systems are aging. Receipts must go to the correct fund, source, and jurisdiction.

Examples(s): Distribution of liquor sale receipts varies by product, purchaser, and type of sale. Sales tax collections vary in amount and distribution depending on the location of the buyer and seller. RCW 66.08.180:
<http://search.leg.wa.gov/pub/textsearch/ViewRoot.asp?Action=Html&Item=12&X=125145037&p=1>

Listing of Policy, Process, System/Data and Organizational Issues for the Roadmap

DISCUSSION DRAFT

Revenue: Invoice-to-Cash

E. Requirements

Priority 1-High	System/Data	CBPO
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27 Better cash forecasting tools are needed

Description: The Office of the State Treasurer makes investment decisions based in part on agency cash receipt and disbursement forecasts. With current tools and processes, agency forecasts are notably unreliable. Better forecasting tools are needed to improve the accuracy and timeliness of cash flow projections. This would allow the Treasurer to allocate a greater amount of money to the core portion, as opposed to the liquidity portion, of the treasury portfolio. Historically, the core portion, which is invested in longer maturity securities, has earned a higher yield than the liquidity portion. The state can increase investment revenue for every million dollars in additional funds that could be allocated to the core portion of the portfolio. Additionally, agencies would have better cash flow data to manage their cash draws on federal grants.

Examples(s):

Priority 2-Medium	System/Data	CBPO
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23 Enterprise tools are needed to support receipt of electronic payments

Description: Over the past seven years, 36 agencies submitted 135 Economic Feasibility Study (EFS) requests as the first step in developing capabilities to accept electronic payment for specific services. Each of these requests represents an average agency investment of about \$35,000 with annual support costs of about \$69,000. Enterprise tools are needed to provide generic functionality and economies of scale.

Examples(s):